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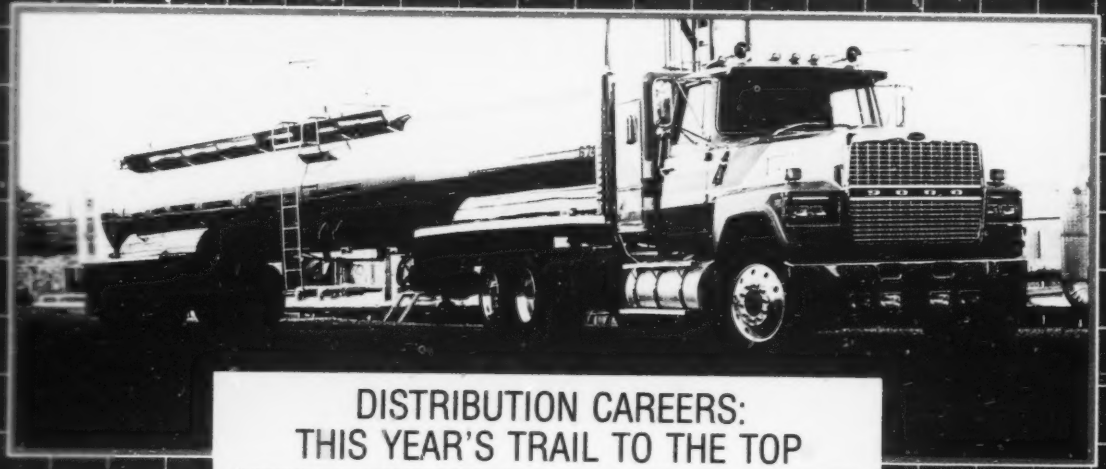
Tractors, Trailers



DISTRIBUTION CAREERS:
THIS YEAR'S TRAIL TO THE TOP

IN A SQUEEZE?

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ANDARDS

MS SUSAN GARNER
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VOL. 83, NO. 11

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DISTRIBUTION

NOVEMBER 1984

ESTABLISHED 1901

COVER STORY

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Here's our second annual directory of trucks, tractors, trailers and railcars. After months of sustained economic growth, we hope you're ready to look at the best leading manufacturers have to offer in transportation equipment.

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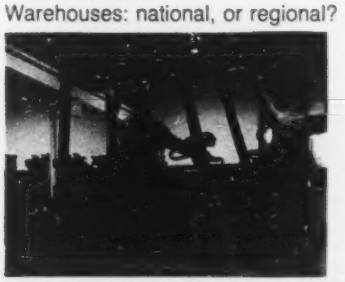

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DIALOGUE

Our August Dialogue question focused on what shippers look for in a public warehouse. As usual, the responses were as varied and plentiful as the courses of a Thanksgiving-day meal. But all of the specifics we were told about individual operations could be lumped into a few categories. And these show that the priorities of public warehouse users bear more than a casual resemblance to those that are inevitably stressed by buyers of transportation. Namely: timely service to the regional customer, low cost of distribution, and finally, a good public image.

"I use public warehousing to store raw materials needed to meet future source shortfalls due to seasonal or cyclical demands, or in anticipation of labor strife."**—H. Nicholls, transportation planning manager, R.R. Donnelley & Sons, Warsaw, Ind.**

"We have found a number of warehouses that specialize in handling farm chemicals. They provide knowledgeable order desk functions for us and are properly equipped and staff-trained to handle pesticides. These warehouses are usually not part of a national chain."**—Ralph Button, distribution manager, Chipman, Inc., Stoney Creek, Ont., Canada.**

"Public warehouses are needed to handle overflow and overstock only. Timing, geography and logistics are factors which preclude ongoing use of public warehousing."**—R.L. Sohn, corporate traffic manager, The Fixible Corporation, Delaware, Oh.**

"I use a public warehouse to store overflows of raw materials."**—J.F. Simon, service manager, Totes, Inc., Lancaster, Pa.**

"At International Harvester we build 326 trucks per day. A public warehouse receives axles and tires for us and sends them to us in line sequence. The cost is offset by lower labor costs, accuracy, time and other monetary benefits."**—John Klosterman, traffic manager, International Harvester, Springfield, Oh.**

"Public warehousing, in general, has an excellent control of costs and provides minimum margins when competition is tough. On the other hand, transportation costs seem to elude most public warehouses. There is little known about these costs, so what savings I negotiate in warehousing costs get gobbled up in transportation."**—Alex Warner, physical distribution manager, Novelty Marketing, Inc., Baltimore.**

"Public warehousing is useful in handling manufacturing overflow due to seasonal product, and in filling orders and distributing from inventory."**—Everett Hatton II, director of physical distribution, Edison Products Co., Edison, N.J.**

"Public warehousing helps us maintain flexibility so that expansions

continued

QUESTION OF THE MONTH

Blockbuster, or just so much bluster? That seems to be the question with respect to the charges that have been leveled against the nation's railroads by the Shippers National Freight Claim Council (SNFCC).

As this month's Claims column details (p. 79), SNFCC, led by executive director William Augello, is trying to whip up shipper support for its crusade to "preserve the Carmack Amendment" and beat back what it feels are the railroads' post-Staggers Act efforts to abuse the laws governing liability responsibilities.

SNFCC has already appealed to various trade associations to solicit member input and support for its cause, so a case can be built against the railroads. No doubt, you're a member yourself of at least a couple of the associations SNFCC is courting, and you'll be asked by them to give your thoughts on the matter.

What is the post-Staggers status quo in the rail claims and liability area? Some shipper-based substance is sorely needed to fill out the current "record" on this issue. To dissolve the fluffy meringue that now clouds the subject, some digestible facts are required. Please convey your actual experiences to us by answering the questions on the card below and mailing it back to us.

DIALOGUE

•Since implementation of the Staggers Act, the full liability rates I've paid on exempt rail traffic have:
_____Increased _____Decreased _____Not Changed

•When I've taken advantage of released rates, or contracted for lower liability levels, my insurance needs have:
_____Increased _____Decreased
_____(Insurance Never Needed)

•In general, I find the alternatives to full rail liability:
_____Satisfactory _____Unsatisfactory _____Nonexistent

•Our claims experiences with the railroads have generally been:
_____Resolved Satisfactorily
_____Resolved Unsatisfactorily _____(Never resolved)

•When selecting a rail carrier, its claims performance is:
_____A Major Consideration _____Not a Consideration

•These railroads perform the best when we have a claim with them:

_____

Here's how I see the current situation with respect to railroad liability:

_____

_____

_____

_____

_____

OPTIONAL:

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that caught the ears of DISTRIBUTION Editors while covering the industry meeting and seminar circuit:)

"Does budgeting tens of thousands of dollars in advertising sound like we're relying on word of mouth to tell shippers what public warehouses can do?"
—Richard Bill, president, Merchandise Warehouse Co., Columbus, Oh., at American Chain of Warehouses Annual Meeting

•

"I used to think some things were never changing—immutable. One was that a railroad was somewhat like a snake. No matter how you maltreated it, and beat it, it kept moving and living. That's still true, but in a very restricted sense. Mere twitching and coiling should not be likened to living."
—Richard G. Rayburn, executive vice president—operations, Chessie System Railroads, at Coordinated Mechanical Assn. 1984 Technical Conference

•

"If I have a legal right to discuss prices with other carriers, it's sheer stupidity for me not to take advantage of that right."
—William F. Horton, chairman, Johnson ScanStar (North America), at Port of Oakland International Conference

and contractions in our markets can be met in a timely and cost-effective manner."**—Wendell J. Harkelroad, vice president, materials management, Church & Dwight Co., Inc., Piscataway, N.J.**

"Public warehouses are used to: build up stock for seasonal demand; provide an escape valve when pressure builds in our private warehouses; and lower freight costs through volume shipments."**—William Willis, distribution manager, H.G. Toys, Long Beach, N.Y.**

"We ship hundreds of LTL orders all over the country from three public warehouses. Our primary concerns are LTL freight costs and the ability to turn orders in a maximum of 48 hours."**—Dennis Tingle, distribution manager, A&W Beverages, Inc., Modesto, Calif.**

"Public warehousing is used to reduce outbound transportation costs, reduce capital, and personnel investment."**—Unsigned.**

"I use public warehouses to consolidate freight, act as a market presence, and provide maximum cost trade-off between freight and inventory carrying costs for demand which is highly seasonal."**—Joseph M. Hendenlong, manager of inventory control & planning, Velsicol Chemical Corp., Chicago.**

"By using public warehouses I can get my product to my market quicker and cheaper than my LTL carriers can."**—Bill Bright, vice president, distribution, General R&D Spec. Co., Greensboro, N.C.**

"Public warehousing is useful in serving far-away customers. Transit time is important."**—Unsigned.**

PUBLIC APPEAL

Public warehousing is a realistic option	92%
Public warehousing is used to meet:	
fluctuating demand	44%
cover new markets	36%
avoid capital investment	44%
handle overflow	49%
In addition to storage, these services are used:	
pick and pack services	26%
assembly/distribution	46%
labeling	38%
brokerage	23%
Warehouser has explained value-added services	67%
Understand contract warehousing	77%
See differences between local and national chains	59%

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THIS YEAR'S TRAIL TO THE TOP DISTRIBUTION CAREERS

By **BERNARD J. LaLONDE, Ph.D.**, Riley Professor of Marketing and Logistics,
and **LARRY W. EMMELHAINZ**, Research Associate, both of The Ohio State University

Since 1972, the Logistics Research Group at The Ohio State University has surveyed distribution executives of U.S. firms, in an effort to identify patterns associated with their careers. Over this 13-year period, the survey has expanded from one of basic questions relative to the executives' education, experience, and demographics, to one which includes the executives' attitudes and opinions regarding future trends in distribution.

The 1984 survey was intended to answer the following questions:

1. How is the distribution function organized?
2. What are the distribution executives' primary responsibilities?
3. What are the demographic characteristics of the distribution executives?
4. What are the distribution executives' perceptions of the future?

The data used to answer these questions were generated by a four-page questionnaire mailed to 640 members of the National Council of Physical Distribution Management (NCPDM) during August 1984. The sample included both geographical dispersion and industry variety. Where two or more members of NCPDM were listed within the same company, the survey was sent to the executive with the higher perceived position. The 139 questionnaires included in this report represent a response rate of 21.8 percent.

For the purposes of this broad analysis, respondents were divided into three managerial classifications—manager, director, and vice-president.

Throughout the discussion which follows, comparisons are made with previous years. Since the responses are anonymous, this year's sample is not the same as last year's or any other year's. Caution must be exercised in reaching conclusions relative to change over time. Long-term trend differences remain valid; however, year-to-year differences could be caused by statistical variability.

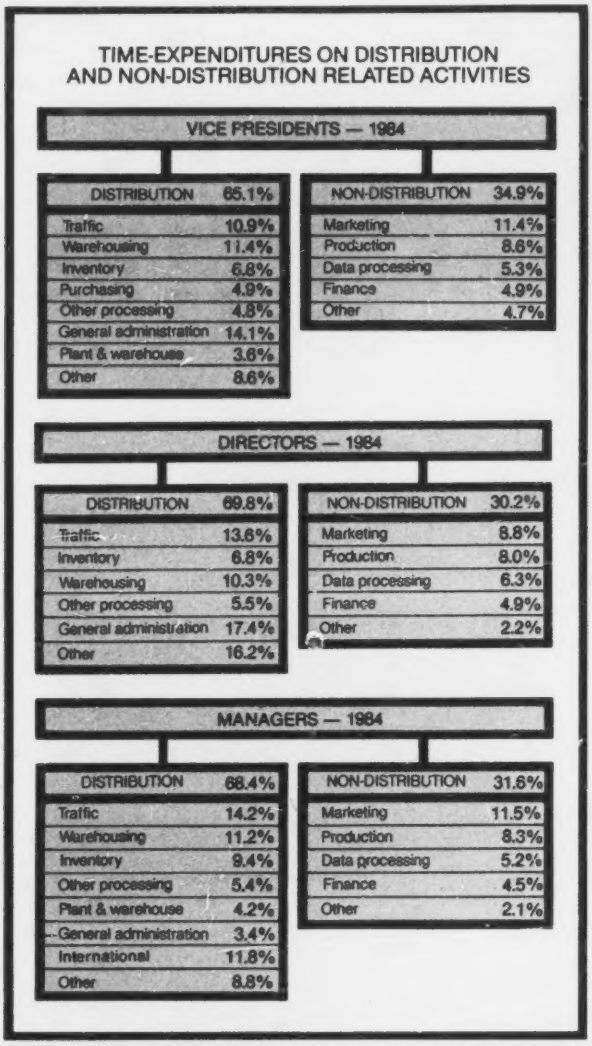
continued

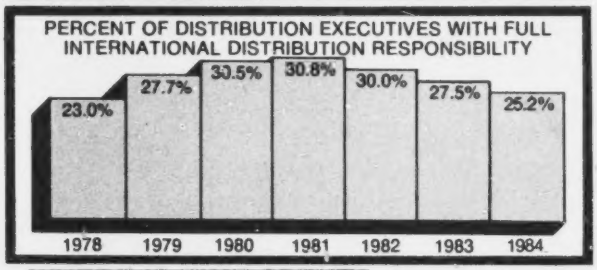
PERCENT CHANGE IN DISTRIBUTION COSTS 1984 OVER 1983

Percent Increase or Decrease	Percent of Respondents
Over 8% increase	11.0%
8%	5.1%
7%	4.2%
6%	18.6%
5%	22.0%
4%	15.4%
3%	8.5%
2%	2.5%
1%	0.8%
0%	6.8%
Decrease over 1983	5.1%

HOW HAVE DISTRIBUTION COSTS CHANGED?

The distribution executives responding to the survey did not agree on how much distribution costs would increase in 1984. 12 percent expected no increase or a decrease, while 11 percent expected cost growth in excess of 8 percent. Most executives, however, predicted an increase ranging from 4 to 6 percent during 1984.



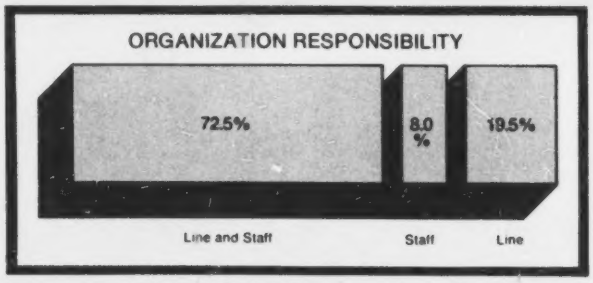


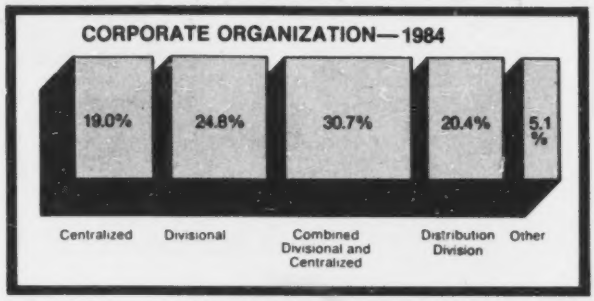
WHERE IS TIME SPENT?

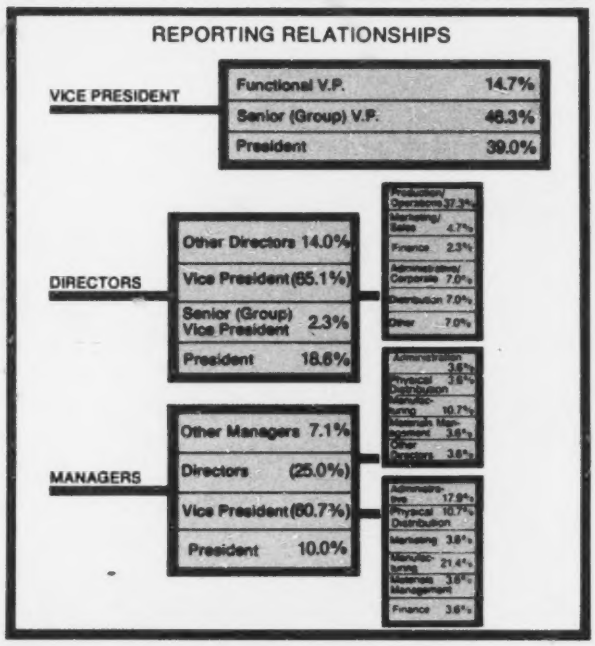
Distribution executives continue to be involved in a wide variety of activities, as shown by the large "other" activities responses. This category includes procurement, product planning, sales forecasting, international distribution and facility location. All told, distribution executives spend about 32 percent of their time in what they consider to be non-distribution activities. Nearly 60 percent of that time is in the areas of marketing and production, with 32 percent spent on finance and data processing.

For the first time since deregulation, distribution managers report a slight drop in the amount of time they spend on traffic and warehousing. These areas represent 22 to 25 percent of total executive activity.

At the same time, though, managers report that the time they spend on inventory has increased from 5.9 percent to 9.4 percent.







HOW IS THE DISTRIBUTION FUNCTION ORGANIZED?

This year's executives report a slightly different organizational structure than in previous years. There was evidence of increased divisional corporate organization and greater line responsibility, generally at the expense of combined divisional and centralized structure, and combined line and staff. Separate distribution divisions continue to increase.

The reporting relationships for all three levels of executives reflect a more direct link to top management than was shown for the 1983 respondents. Managers report to vice-presidents 61 percent of the time, up from 27 percent last year. Directors reporting directly to presidents or chief executive officers increased to 19 percent, up from 7 percent in 1983. Vice-presidents reporting to senior or group vice-presidents increased by 20 percent from 1983 to 1984. This came from a drop in vice-presidents reporting to functional vice-presidents and to the president—the only exception to this generality. These trends suggest a continuation of the integration of distribution into all phases of corporate decision-making.

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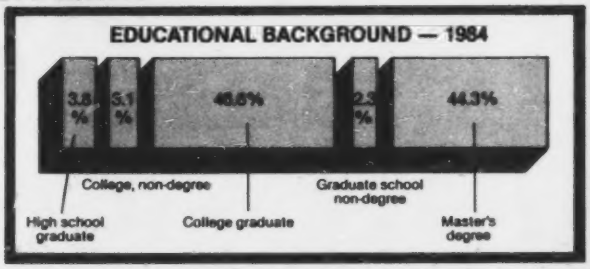
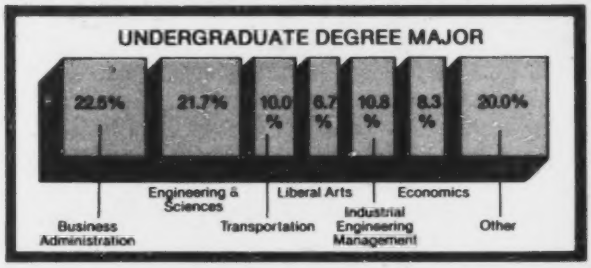
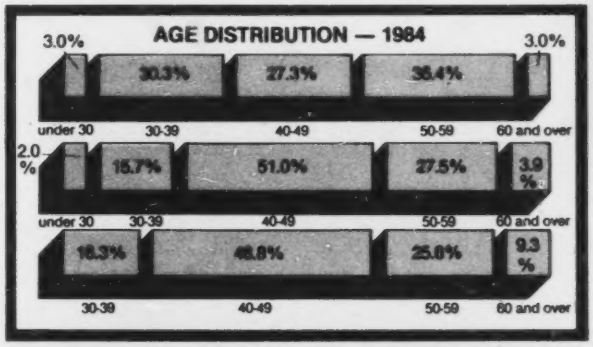
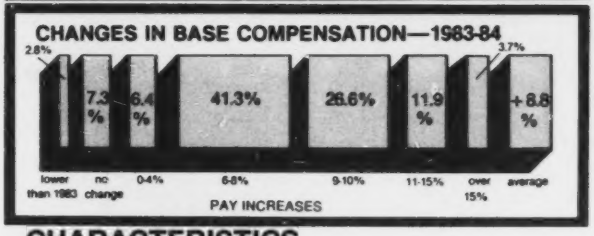






AVERAGE COMPENSATION—1984

	Manager	Director	Vice President
Top quarter	$77,300	$101,600	$134,500
Second quarter	$57,900	$70,200	$104,200
Third quarter	$47,600	$61,600	$83,300
Lowest quarter	$36,000	$49,300	$58,000
Average	$54,800	$70,800	$93,900



CHARACTERISTICS OF THE EXECUTIVE

This year's respondents are younger than previous years', and do not cluster by age in the three executive levels as they have done previously. While directors continue to be primarily between 40 and 49, managers are fairly evenly distributed over the 30s, 40s and 50s age brackets. Vice-presidents are mostly in the 40-to-49 bracket.

While 96 percent of the respondents continue to have at least some college, those with Masters Degrees jumped from 36 percent to 44 percent, with MBAs dominating the types of Masters Degree.

The average compensation for distribution executives at all levels was higher than reported in 1983.

EDUCATIONAL NEEDS—1984

Area	First Choice	Second Choice
Finance	27.8%	24.3%
Data Processing, Simulation Models	24.8%	24.3%
General Management	17.5%	1.9%
Marketing	3.2%	12.8%
Personnel, Organization Behavior, Humanities	8.0%	5.0%
Transportation	4.8%	4.9%
Other	14.1%	27.0%

What are the major factors which will influence the growth and development of the corporate distribution function during the next decade?

Factor	Most Important	2nd Most Important
Computer technology/information systems	23.3%	23.9%
Customer service requirements	14.0%	13.4%
Distribution costs	14.0%	11.9%
Transportation deregulation	12.4%	13.7%
Integrated corporate planning/logistics	9.3%	8.2%
Inventory policy/management costs	7.0%	6.0%

WHAT FUTURE IS IN STORE FOR DISTRIBUTION EXECUTIVES?

The picture of the future of physical distribution drawn by these executives is an interesting one. When asked to identify the major factors which will influence the growth and development of the corporate distribution function, concerns about the economy all but disappeared, and the heavy emphasis on controlling distribution costs became less important than in the past. Adapting to computer technology and improving information systems have become the factors expected to dominate the future. Transportation deregulation will continue as a major factor. The integration of corporate planning with logistics will receive much higher emphasis.

If given the chance to return to school, executives would concentrate on finance and computer-related skills.

The attitudes toward other distribution issues remained similar to last year. However, some change in emphasis was observed:

- 96 percent of the respondents agreed that better use of the computer is the key to improved industrial productivity.
- 91 percent agreed that distribution system goals and standards have become more specific over the past five years.
- There is more agreement that deregulation is affecting goods distribution, with 75 percent agreeing that deregulation will improve service levels.
- The executives' forecast of private carriage usage over the next five years is the same as last year's, with 34 percent seeing an increase in private carriage capability.
- Greater use of public warehousing is predicted by 64 percent of the executives.
- 85 percent of the executives agreed that distribution is considered a more important function than five years earlier. This is down from 94 percent in 1983.
- 86 percent believed more firms will be using inventory-carrying costing for distribution decision-making. This is down from 94 percent in 1983.
- 83 percent concluded that the distribution planning process has assumed more importance in operating the distribution function. In 1983, 89 percent reached that conclusion.

continued

STUDY IMPLICATIONS

During the past 13 years, the distribution function has undergone many changes. While in any one year the changes, concerns, and issues reported by the executives may diverge, over the course of 13 years several clear patterns have emerged.

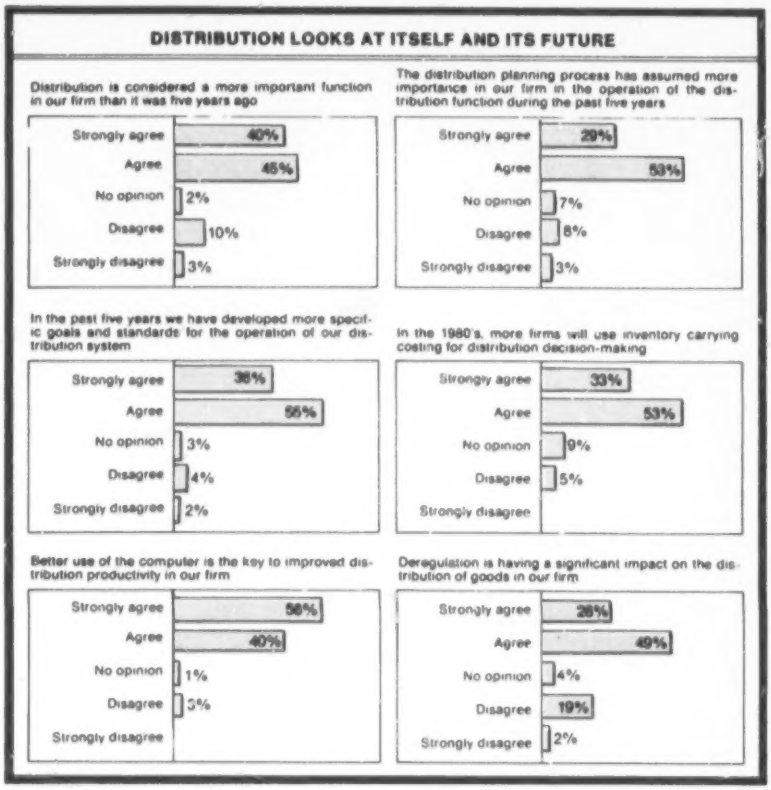
Functional Positioning—The distribution function has been given increased emphasis by top management. Over the past decade the distribution executive has been placed higher in the corporation, has been paid a significantly higher salary, has been more visible, and has provided a more integral part of overall business decision-making.

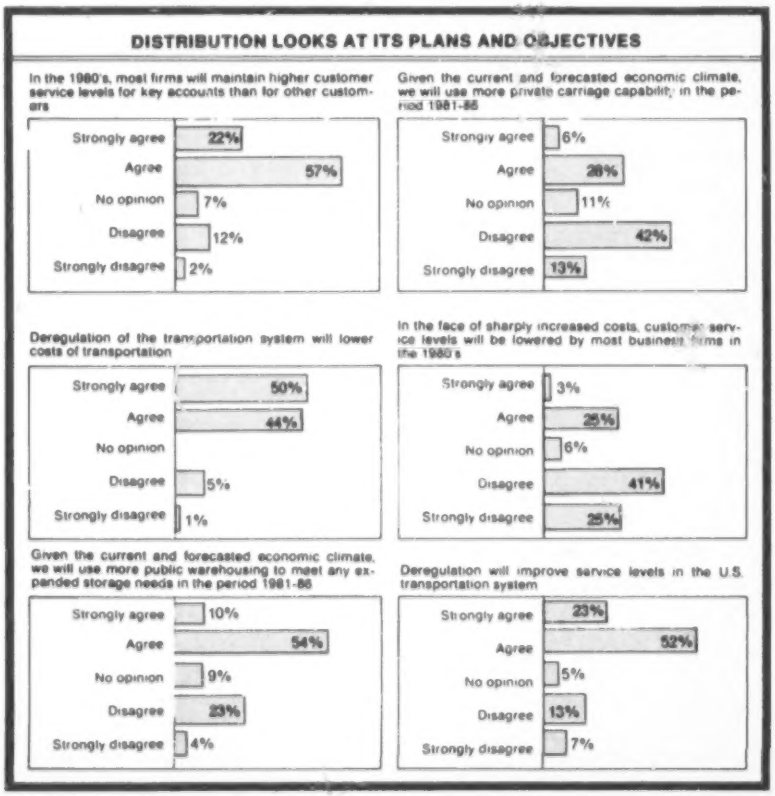
With this greater emphasis on distribution has come a broadening of activities for which the distribution executive is responsible. No longer can executives in distribution be proficient only in traffic and warehousing. They must interact more and more with marketing, production, finance and data processing. They also must spend a greater part of their time in what they consider general management or administration. Distribution executives find themselves increasingly involved in the total firm.

Future Directions—Computers and information technology will continue to be a critical tool for improving distribution productivity. Because productivity will be measured increasingly in financial terms, computers must provide more timely financial information to distribution executives.

With the return of finance as a major educational need, executives are suggesting that emphasis is needed on accounting and financial aspects of distribution such as distribution cost accounting, asset productivity performance measures, capital budgeting techniques, etc.

Distribution executives, although relatively new to the highest levels of management, must not bask in their new-found glory. As the effects of deregulation stabilize, distribution executives must creatively seek ways to ensure that the total distribution program is compatible with the firm's overall objectives and increasingly a responsive part of the firm's strategic plan. ★


DISTRIBUTION LOOKS AT ITSELF AND ITS FUTURE
Distribution is considered a more important function in our firm than it was five years ago
Strongly agree 40%
Agree 45%
No opinion 2%
Disagree 10%
Strongly disagree 3%
The distribution planning process has assumed more importance in our firm in the operation of the distribution function during the past five years
Strongly agree 29%
Agree 53%
No opinion 7%
Disagree 8%
Strongly disagree 3%
In the past five years we have developed more specific goals and standards for the operation of our distribution system
Strongly agree 38%
Agree 56%
No opinion 3%
Disagree 4%
Strongly disagree 2%
In the 1980's, more firms will use inventory carrying costing for distribution decision-making
Strongly agree 33%
Agree 53%
No opinion 9%
Disagree 5%
Strongly disagree
Better use of the computer is the key to improved distribution productivity in our firm
Strongly agree 56%
Agree 40%
No opinion 1%
Disagree 3%
Strongly disagree
Deregulation is having a significant impact on the distribution of goods in our firm
Strongly agree 28%
Agree 49%
No opinion 4%
Disagree 19%
Strongly disagree 2%


DISTRIBUTION LOOKS AT ITS PLANS AND OBJECTIVES
In the 1980's, most firms will maintain higher customer service levels for key accounts than for other customers
Strongly agree 22%
Agree 57%
No opinion 7%
Disagree 12%
Strongly disagree 2%
Given the current and forecasted economic climate, we will use more private carriage capability in the period 1981-86
Strongly agree 6%
Agree 28%
No opinion 11%
Disagree 42%
Strongly disagree 13%
Deregulation of the transportation system will lower costs of transportation
Strongly agree 50%
Agree 44%
No opinion
Disagree 5%
Strongly disagree 1%
In the face of sharply increased costs, customer service levels will be lowered by most business firms in the 1980's
Strongly agree 3%
Agree 25%
No opinion 6%
Disagree 41%
Strongly disagree 25%
Given the current and forecasted economic climate, we will use more public warehousing to meet any expanded storage needs in the period 1981-86
Strongly agree 10%
Agree 54%
No opinion 9%
Disagree 23%
Strongly disagree 4%
Deregulation will improve service levels in the U.S. transportation system
Strongly agree 23%
Agree 52%
No opinion 5%
Disagree 13%
Strongly disagree 7%